NATIONAL BISCUIT COMPANY

ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1951

EVEN

FRESHER!

Now in the new 4 In-Er-Seal pack, PREMIUM SALTINE CRACKERS, universal favorites, stay fresher and crisper than ever!

DIRECTORS

ROY E. TOMLINSON, Chairman
CHARLES C. AUCHINCLOSS
HENRY J. COCHRAN
WILLIAM H. COLVIN JR.
GEORGE H. COPPERS
FRANKLIN D'OLIER
DUDLEY W. FIGGIS
ROY C. GASSER
GEORGE A. MITCHELL
EDWARD S. MOORE JR.
PAUL MOORE
ALEXANDER C. NAGLE
LIVINGSTON PLATT
RUSSELL M. SHULTZ
WILLIAM WHITE

OFFICERS

GEORGE H. COPPERS
President

EDWARD S. MOORE JR.
Executive Vice President

LEE S. BICKMORE
Vice President, Sales

THOMAS F. BURKE
Vice President, Bread Department

HOWARD B. CUNNINGHAM
Vice President, Purchasing

HARRY T. EGGERT
Vice President, Personnel Relations

GEORGE A. MITCHELL
Vice President, Finance

RUSSELL M. SHULTZ
Vice President, Operations

HERBERT E. WIGGIN
Vice President, Traffic

FREDERICK F. BRODESSER
General Auditor

ALBERT T. BULLOCK
Secretary and Treasurer

CHARLES S. WEBSTER
Controller

EVERETT W. BARTO
General Counsel

Transfer Agent: GUARANTY TRUST COMPANY, NEW YORK 15, N. Y. *Registrar:* FIRST NATIONAL BANK, NEW YORK 15, N. Y.

The Year in Brief

	1951	1950
Net sales	$329,924,858	$296,408,934
Net income	16,202,212	21,110,431
Net income per dollar of sales	4.9 *cents*	7.1 *cents*
Net income per share common stock	2.30	3.08
Dividends declared per share common stock	2.00	2.00
Dividends declared common stock	12,578,896	12,578,896
Dividends declared 7% preferred stock	1,736,315	1,736,315
Net income retained in the business	1,887,000	6,795,220
Cost of plant and equipment additions	17,804,925	12,173,039
Current assets	88,994,406	94,604,690
Current liabilities	38,011,545	35,315,184
Working capital	50,982,861	59,289,506

NATIONAL BISCUIT COMPANY

449 WEST 14TH STREET, NEW YORK 14, N. Y. [GENERAL OFFICES]

TO OUR SHAREHOLDERS AND EMPLOYEES

OUR country like the rest of the free world is embarked on a huge defense program, mobilizing resources to build for the future the strength needed to maintain security and peace. This program has subordinated all other activities and created many problems for business.

The numerous regulations and orders promulgated by the Government have affected our Company in many ways. Rising costs in the early months of 1951, when the selling prices of our finished products were frozen by the Office of Price Stabilization, resulted in lowering our operating profits as measured against sales volume for the year. Our earnings in relation to sales are not satisfactory now, and with rigid control of the prices of our finished goods, they could be severely and quickly reduced by further increases in the cost of labor and materials.

For the first time in the fifty-four years of Company operations sales exceeded $300 million. Tonnage of products sold was also at a record level.

Since the rising costs of many items are beyond our control, how we use the facilities within our control becomes doubly important. As we see it, we must make the best possible use of our resources if we are to keep products and prices attractive. We are therefore going ahead with our program of modernization of plant and improvement of processes to the full extent that restrictions and shortages will permit.

Under present unsettled conditions it is difficult to plan and to lay out a campaign for the future. However, we believe it essential to continue our long-range program in the expectation that the difficulties of today will clear up in the not too distant future. Right or wrong, we shall have lost nothing by working on that assumption. So we are building for the future.

Our program has included modernization of plant, extension of research activities, development and training of personnel. We have made much progress and I am grateful for the understanding and cooperation I have received from all Nabisco people.

Profits and Profit Rate

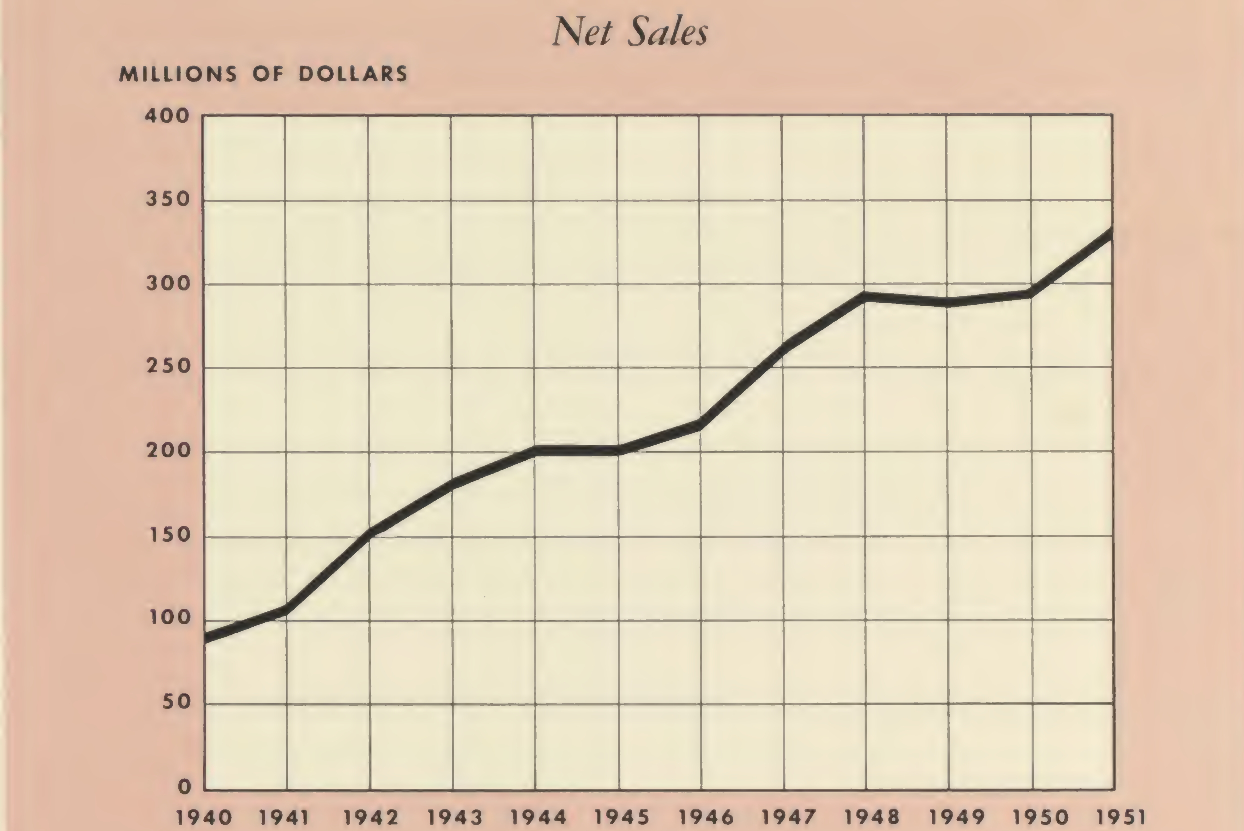
Net profits for 1951 were $16.2 million compared with $21.1 million in 1950. After providing for dividends on the preferred stock, profits were equal to $2.30 per share of common stock in 1951 compared with $3.08 in 1950. Net profits for 1951 were equal to 4.9 cents per dollar of sales compared with 7.1 cents in 1950.

Selling prices of our finished products were frozen under General Ceiling Price Regulations issued by the Office of Price Stabilization on January 26, 1951. However, the cost of materials, supplies and transportation continued to rise, especially during the early months of 1951. Labor rates and pension costs increased during the year. Tax rates, especially Federal income tax rates, rose markedly. We were unable to pass on any part of these increased costs until August 13, 1951, when we were permitted under the regulations to increase our prices. With this price increase it was possible to recover only a part of our added costs.

The opening of new bakeries and the adoption of improved methods have resulted in substantial economies from more efficient use of materials and increased productivity per man-hour of labor. Nevertheless, such economies were not sufficient to enable us to absorb all the increases in the cost of labor, taxes, and the goods and services we buy.

In building for the future we aim to reduce costs further through improved methods. Only by so doing can we maintain our prices at attractive levels, create employment, and add to the profit margin.

OFFICIAL OPENING of our Portland, Oregon, Cracker Bakery. Crowds jammed the Shipping Branch floor, waiting their turn to be taken on guided tours through the new plant.



The above information is shown in more detail on pages 26 and 27

Sales

Sales for the year 1951 were $329.9 million. This represented an increase of 11% over 1950 sales of $296.4 million and established a new record. The increase came from sales to civilian consumers. Sales to the Federal Government during the year were not a material factor.

The record dollar sales volume was the result of increased tonnage as well as higher prices.

Net Sales by Quarters in Millions of Dollars

Quarter ended	1951	1950	1949
March 31	$81.2	$72.7	$75.6
June 30	81.8	71.8	74.8
September 30	79.9	72.9	72.9
December 31	87.0	79.0	71.1
Total	$329.9	$296.4	$294.4

Financial Position

At the close of World War II our net current asset position was exceptionally strong because we had not been able to replace old plants and equipment during the war years, due to the shortage of materials. During the past five years $74.0 million was spent on new plants and equipment. Fortunately, a large part of our modernization program was completed before the start of the present emergency. It is now difficult to forecast how long it will take to bring the program to full completion, as it is impossible to start new construction without approval of the National Production Authority.

We spent $17.8 million for plants and equipment in 1951 and it is anticipated that a like amount will be spent in 1952. The expenditures in 1952 will be largely for the purchase of new machinery and equipment, completion of the new Chicago Cracker Bakery, construction of which was started in October 1950, and for the new bread bakery at Toronto, Ontario, now being built by our Canadian subsidiary, Christie's Bread, Limited.

With our larger volume of business and the higher prices we are paying for the things we buy, we have more cash invested in inventories.

As a result of the high level of plant expenditures and the increase in inventories, our combined cash and Government security assets were less at the end of 1951 than they have been in recent years.

The changes in our consolidated working capital over the past five years are shown below in detail.

CHANGES IN CONSOLIDATED WORKING CAPITAL

(*All amounts are expressed in thousands of dollars*)

	1951	1950	1949	1948	1947
RECEIVED FROM:					
Sales of product	$329,925	$296,409	$294,420	$296,250	$263,894
Interest and miscellaneous income (net)	398	402	371	1,675	327
	330,323	296,811	294,791	297,925	264,221
USED FOR:					
Operating expenses	284,206	244,881	247,795	252,544	217,615
Taxes	23,250	24,326	19,681	18,439	19,874
Additions to plant and equipment	17,805	12,173	20,287	16,792	6,964
Dividends	14,315	14,315	14,315	14,315	14,315
Other (net)	*946*	*509*	*1,383*	263	45
	338,630	295,186	300,695	302,353	258,813
Increase or *decrease* in working capital	$ *8,307*	$ 1,625	$ *5,904*	$ *4,428*	$ 5,408

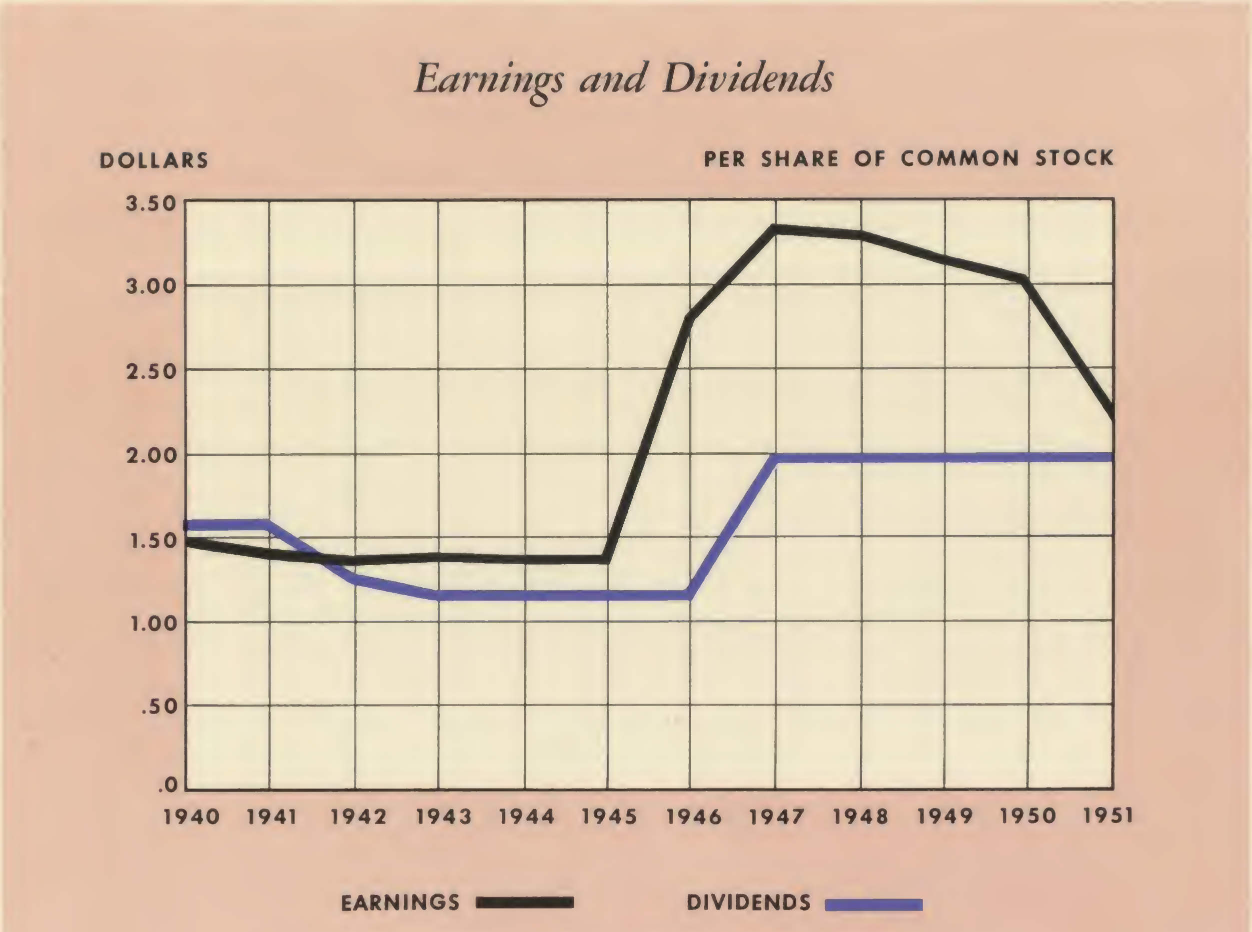
AERIAL VIEW of our completely modernized Toledo Flour Mill—largest soft wheat flour mill in the world. The mill processes more than 12 million bushels of wheat annually.

Taxes

Taxes continue to be a major item of cost, amounting in the year 1951 to $695 per employee or $3.26 per share of common stock. Our direct taxes (exclusive of social security taxes) were $20.5 million for 1951. For the ten-year period ended in 1951 we paid $183.3 million in taxes, far more than the present book value of the Company's net assets.

Dividends

Dividends declared on the common stock in 1951 amounted to $2.00 per share, paid in four quarterly instalments of 50 cents each. Regular dividends totaling $7.00 per share on the cumulative non-callable preferred stock were also paid during the year. The Company has paid dividends on both the common and the preferred stock every year since 1899.



The above information is shown in more detail on pages 26 and 27

After dividends, $1.9 million of the year's income remained for reinvestment. This, together with depreciation provisions and proceeds from the sale of retired assets of $7.9 million, was not sufficient to finance the $17.8 million expended for new plant and equipment. The difference, $8.0 million, was drawn from prior years' earnings retained in the business.

Since the earnings for the year exceeded dividends the book value of the common stock increased again in 1951, amounting at the end of the year to $125.2 million.

Research and Development

In our program of building for the future particular attention has been devoted to research and mechanical development.

Our research activities include a critical examination of our methods and processes and of the materials we use. We are constantly seeking new uses for materials, new materials to improve our products, and new products to add to our line. Because of the types of raw materials we use, our products are of great nutritional value and we are

always working to improve that value.

We continue to add new varieties and new packages to meet the changing tastes of consumers and to heighten eye-appeal, since the housewife often buys on impulse.

During the year 1951 we introduced the following items, which are meeting with good consumer acceptance:

SWISS CUSTARD SANDWICH
(*A fine vanilla-flavored sandwich with an unusual custard-type filling*)

CHOCOLATE CHIP COOKIES
(*A very popular item in a new package*)

LORNA DOONE SHORTBREAD
(*Our well-known shortbread cookie in a new large package*)

CHEESE PRETZIES
(*A small, peanut-size pretzel product, cheese-flavored*)

Our most popular variety, PREMIUM SALTINE CRACKERS, called SNOWFLAKE SALTINE CRACKERS on the Pacific Coast, is now being semi-automatically stacked and packed. The present one-pound package of this variety consists of four quarter-pound units, individually wrapped in waxed paper and heat-sealed. Each unit contains a stack of individual crackers ready to serve, instead of the blocks of two or four crackers which had to be separated by hand before serving. The individual units are readily reclosable. Thus the crackers are easier to serve, and when the package is opened the entire contents are not exposed to the air at one time. This helps to preserve their oven-fresh quality and crispness.

The machine used for this packing operation was developed in our Mechanical Development Division. This is an interesting advance and it will no doubt be extended to the packing of other varieties.

Plant Improvements

A new bread bakery at Rochester, New York, and an addition to our Newburgh, New York, Bread Bakery were completed early in 1951.

Construction of the new Chicago Bakery is proceeding on schedule and this plant should be in production by the end of 1952. Measured by the tonnage of crackers and biscuits it will produce, it will be the largest bakery in the world.

With the completion of the Chicago Bakery approximately 80% of Nabisco's cracker and biscuit products will be baked in modern band ovens. Our plans for the future include modernization of our cracker bakeries at Los Angeles, New York, and Philadelphia; and possibly a new cracker bakery in New England. However, because of shortages of materials and restrictions on building, we cannot tell when we shall be able to proceed with these projects.

As mentioned previously, expenditure for plant improvements was $17.8 million in 1951.

Operations in Other Countries

Operations of our subsidiary companies in England and Canada continued at satisfactory levels during the year.

PRESIDENT AND MRS. GEORGE H. COPPERS, on visit to Welwyn Garden City, England, cut a cake baked to celebrate 25th Anniversary of the Welgar Shredded Wheat Bakery.

The construction of a new bread bakery in Toronto, Canada, by Christie's Bread, Limited, was started in 1951. It is expected that this plant will be in production early in the year 1953.

We have now operated our new subsidiary in Caracas, Venezuela, since December 1, 1950. We introduced our RITZ CRACKERS there during 1951 and this variety is proving to be a popular item with consumers in that country. This company suffered a loss during the first year of operation which is not surprising in view of the time spent in developing a satisfactory selling and distributing organization. Progress is being made and we have gained valuable know-how in connection with South American operations, which should result in future profits.

Pension Plan

A formal pension plan approved by the shareholders became effective May 1, 1946. This same plan, with four amendments, is still in effect. All employees of the Company are included and the entire cost is borne by the Company.

Employees reaching the retirement age of 65 now receive an annual pension equal to 1% of their average annual earnings during the last ten years of employment, multiplied by the years of continuous service, less one-half of the social security benefits payable by the Government after retirement. The deduction of one-half of social security benefits represents that share of the benefits which was provided by the Company's contribution under the Federal Insurance Contributions Act. Special provisions are included in the plan for long-service employees who become permanently incapacitated before reaching retirement age.

The Canadian and English subsidiaries of National Biscuit Company have similar pension plans.

On April 11, 1951, the shareholders of the Company authorized the Board of Directors to set up pension trust funds. Arrangements have since been made to establish such funds through payments to trustees extending over a period of years. The payments made into the funds in 1951 are fully deductible under the applicable tax regulations for funding pensions in the respective countries.

The funding method recognizes and provides for the mounting liability created by each day of service of each employee. It is a means of paying the costs today so that funds will be available to pay pensions tomorrow.

We regard the funding of the pension plan as an important step in building for the future. Providing in our accounts each year for the full cost of current service, plus a portion of our past service liability, means that our total pension costs after the plan is fully funded will stabilize at a lower figure than would be the case under the pay-as-you-go plan of handling pensions previously in effect. Thus the funding of the pension plan should ultimately have a favorable influence on profits.

Organization Changes

We report with deep regret the death on December 20, 1951, of Robert A. Fairbairn, a member of the Board of Directors since February 9, 1915. Mr. Fairbairn had also been a member of the Executive Committee since November 10, 1916.

William H. Colvin Jr., President of the Crucible Steel Company of America, became a member of our Board of Directors on January 28, 1952.

Employee Training

Our program of building for the future has also included plans for the development and maintenance of an efficient organization.

Personnel development programs have been extended until they include all employees. An outstanding feature is the annual meetings of sales supervisory personnel held in centrally located places throughout the country. These meetings are attended by the President, Executive Vice President, and top sales and advertising executives.

Selected groups of employees are brought to the General Office for seminars planned

to broaden their general knowledge of the Company's operations and of their own work in particular. Many of our younger executives have been sent to universities for special short-term courses. We expect to continue these practices.

Employee Benefits

Under the Nabisco pension plan pensions were granted to 218 employees in 1951. At the end of the year there were 1701 employees receiving pensions.

Under the Nabisco benefit and group insurance plans, the beneficiaries of 187 employees received death benefits of approximately $585,000. Other benefits totaling $1.9 million were also paid to employees or their families in 1951 during periods of illness or injury.

The cost of Nabisco's pensions, social security tax, insurance plans and other employee benefits in 1951 as compared with 1950 is detailed below.

Pension costs were higher in 1951 by reason of payments to the trustees, for deposit in the funds, of our liability for pension expense incurred for services performed by employees during the year 1951, plus a portion of the past service liability. The pension program is outlined in more detail on page 10 of this report.

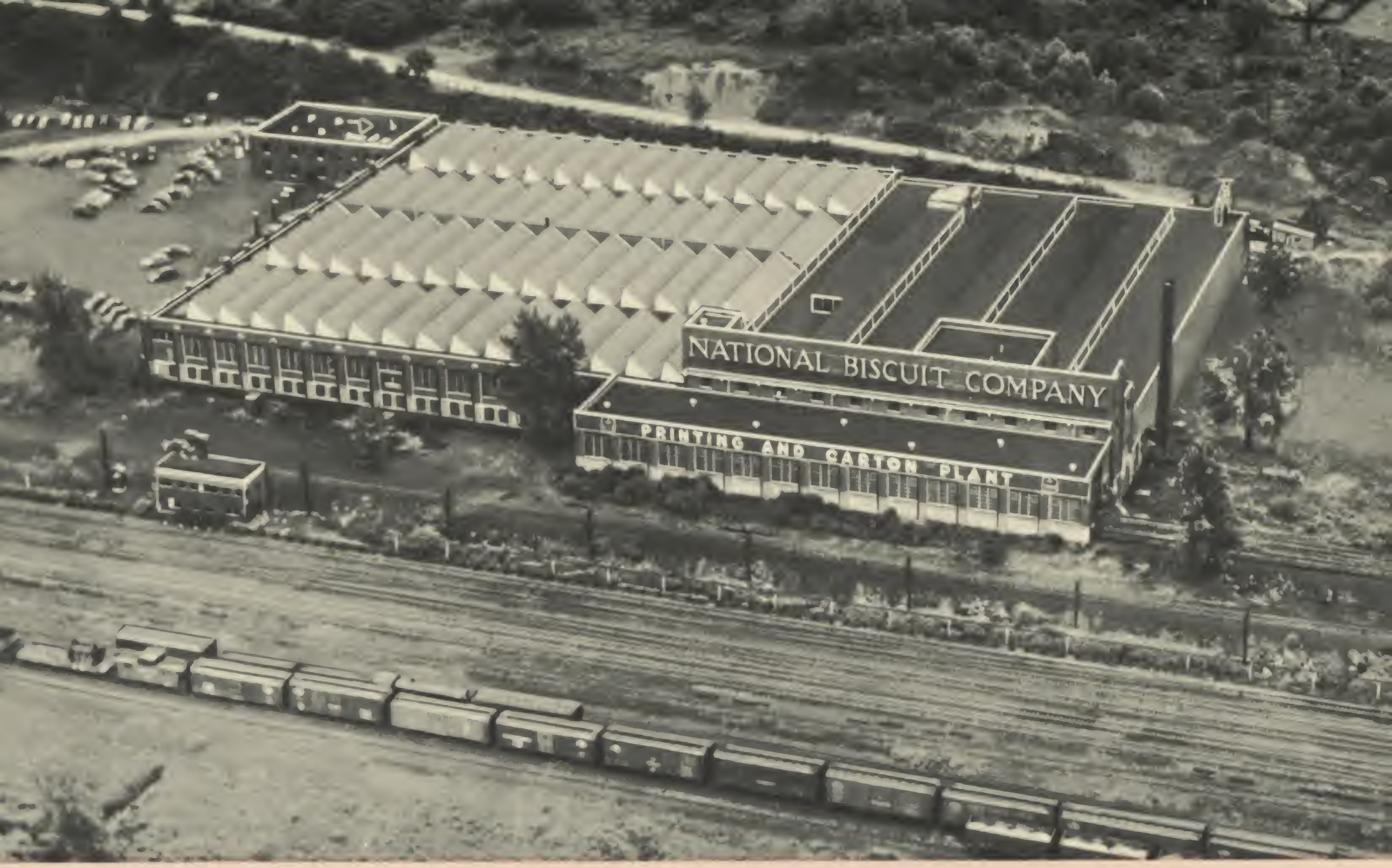
Suggestion System

The Nabisco suggestion system received 8,839 suggestions in 1951, of which 1,284 were adopted. We have paid to employees $83,000 for suggestions adopted since 1946, the year the plan was inaugurated.

In addition to the suggestion system, communication with our employees has been kept up through our magazine, our Annual Report and our training programs. During the year 1951 we have been studying ways and means of keeping our employees better informed about Company operations, and about the American free enterprise system.

[*Continued on page 17*]

	1951	1950
Pensions paid under the unfunded plan	$ 348,911	$1,064,088
(*In the year 1951 this item represented payments to employees retired prior to May 1, 1946, under our old informal plan.*)		
Funding of current service cost	2,521,054	
Funding of portion of past service cost	4,455,766	
Total pension costs	$ 7,325,731	$1,064,088
Social security taxes	2,770,693	2,569,778
Insurance and other employee benefits	2,440,849	2,401,335
Total cost of employee benefits	$12,537,273	$6,035,201



AIRVIEW of Beacon, N. Y., Printing and Carton Plant, situated on the Hudson River, 60 miles north of New York City. In the foreground are the tracks of the New York Central Railroad. Sawtooth roof provides an abundance of north light, so essential to men who work with color.

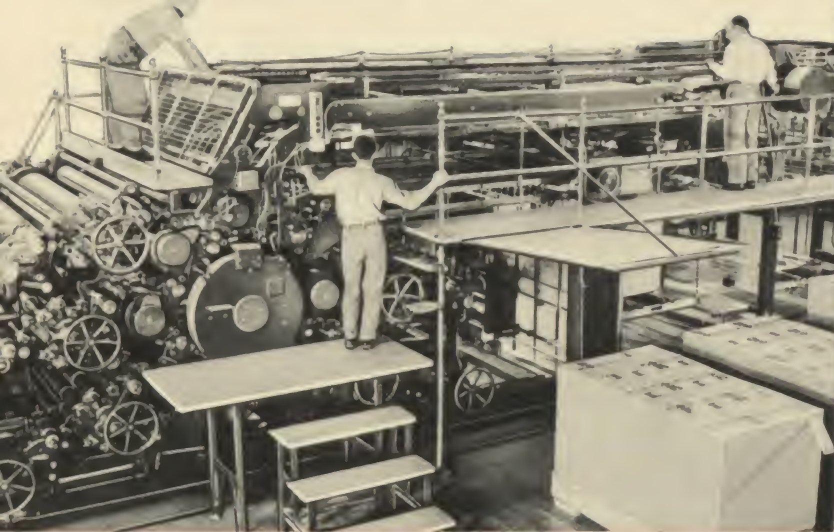
NABISCO'S PRINTING AND CARTON PLANT

Over three *billion* printed wrappers, cartons, labels and red Nabisco end seals rolled off the presses of NABISCO's Printing & Carton Plant last year. The wrappers alone, if piled one on the other, would make a stack 26 miles high. In the same year 36,000 tons (72 million pounds) of boxboard and paper, and 625,000 pounds of ink were used. These figures give some idea of the huge size of the operation. One of the big 5-color units alone is capable of turning out 500,000 pound-size printed cartons in one day.

Completed in 1930, the Beacon plant started with a personnel of 135 employees and has grown steadily until it now has about 500 employees. One of the finest of its kind in the country, this plant has proved a valuable asset to the Company, and to the local community as well, through the past 21 years.

The building contains 320,000 square feet of floor space and has an enclosed train shed large enough to accommodate ten freight cars. It also has ample facilities for loading and unloading trucks. During an average month 110 railroad cars and 212 trailer trucks are loaded and unloaded here.

It takes many different operations to maintain the steady daily flow of hundreds of thousands of printed cartons, wrappers, labels and end seals to our bakeries all over the country. The cartons must be strong and well made, not only for the protection of the contents, but also for efficient operation in our bakeries. Wrappers, labels and printed cartons must be uniform, attractive and pleasing to the eye. Packaging is highly important in the marketing of Nabisco products, and the Beacon plant plays an efficient part in forging this link in our chain of production and distribution.



NEW FIVE-COLOR PRESS, one of two such presses, each costing about $200,000. Beacon is proud of these marvelous machines, which can print five colors in one operation. If desired, either a three- or four-color job can also be run on these presses. In addition, the plant has one four-color press.

"MAKE-READY": preparing the plates to obtain the proper printing impression, on one of the five-color presses. At right, the ink-spreading rollers. Every shade of ink must be accurately blended and matched, so that all packages of each variety will be exactly uniform in color.

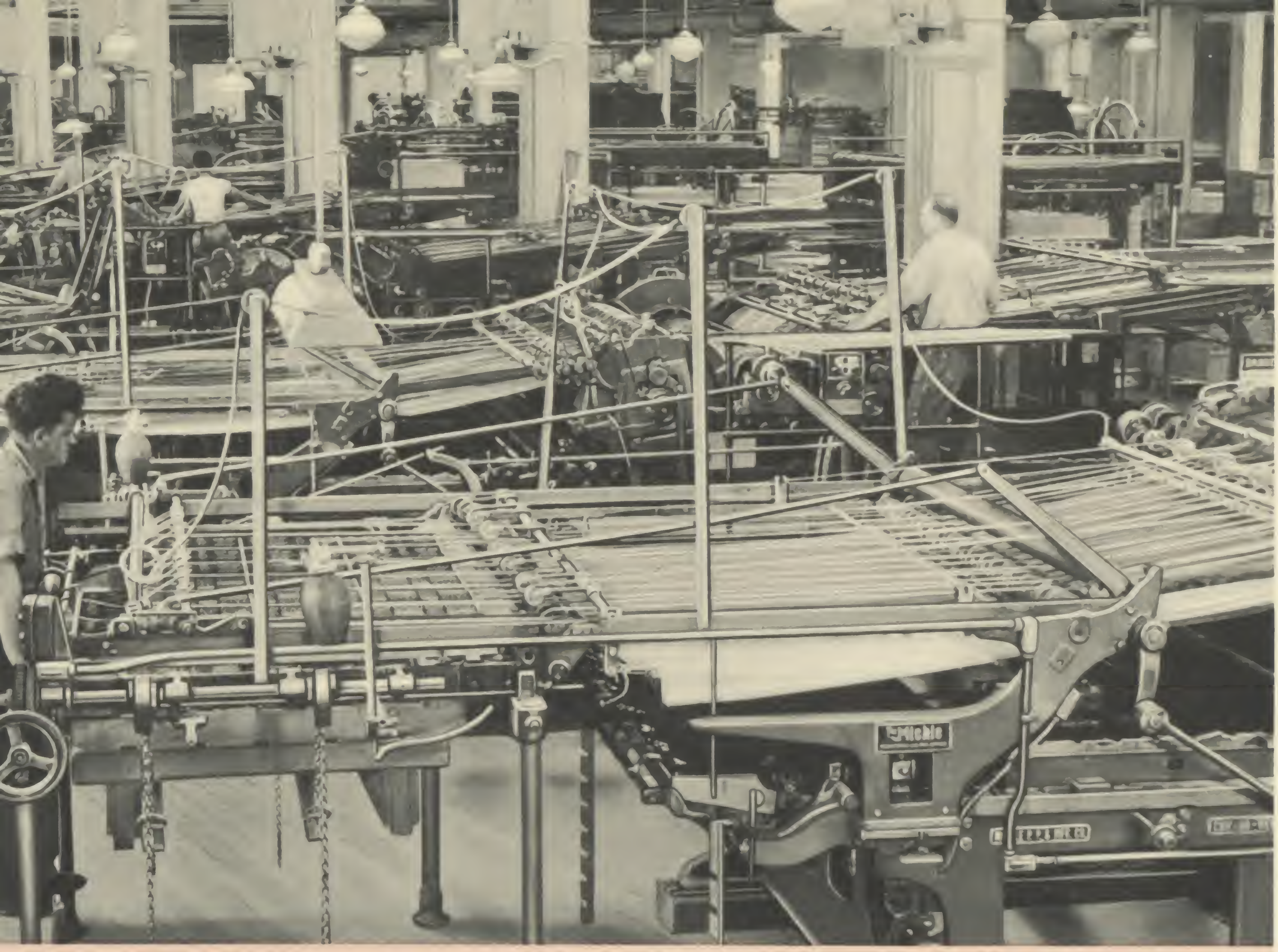
NABISCO CONTROLS QUALITY AND UNIFORMITY OF PACKAGES

The quality and uniformity of NABISCO's packages are the result of careful control and excellent performance. About 50% of the boxboard for cartons comes from our own mill at Marseilles, Ill., where the board is manufactured from raw materials. The balance comes from outside mills. At Beacon the Company prints 85% of its own labels, wrappers and cartons.

The employees at our Beacon plant are trained craftsmen, skilled in meeting the most exacting standards of workmanship. They are responsible for the inviting appearance of Nabisco packages on food-store shelves and in the pantries of homes all over America.

THE PRESS ROOM is a scene of great
rotary, one four-color rotary, and 15

PRESSMAN EXAMINES a printed sheet of red Nabisco end seals in various sizes and shapes. These printed sheets are now ready for the Cutting Machines.



vity. Here are two five-color color flat bed presses, as well

as three job presses. Most of this equipment is in production 24 hours a day. All colors must register with other colors to 1-1000 part of an inch.

THIS MODERN ELECTRIC TRUCK will lift 4900 pounds of board or paper as high as a third tier. All through the plant new developments in the modern science of "Materials Handling" are in daily use.

SIX STRAIGHT CUTTING MACHINES, which are used to cut the printed sheets to the exact size required for Nabisco wrappers, labels and end seals. Sheets at lower left are ready for cutting.

CUTTING AND SCORING PRESS in operation. This is one of eleven of these presses. Girl (at rear) feeds the boxboard sheets into the machine, which cuts and scores the board into individual cracker shells or cartons. The cutting die lies flat on the bed of the press. When the sheets emerge they have been cut and scored, and girls (foreground) stack the sheets on tables, strip the interlocking pieces with special hammers, leaving the individual cartons or shells cut to exact shape and size.

HIGH-SPEED FOLDING AND GLUING MACHINE. Girl in foreground feeds flat, scored but unfolded cartons into the machine. Cartons are carried over the glue wheels, then folded. This amazing machine also pre-breaks all scores on the cartons, a feature which makes for much more efficient packing operations in our bakeries. At the far end the carton comes out perfectly glued and folded, ready for use. Beacon has six of these machines, each capable of turning out 20,000 pound-size RITZ CRACKERS printed cartons per hour.

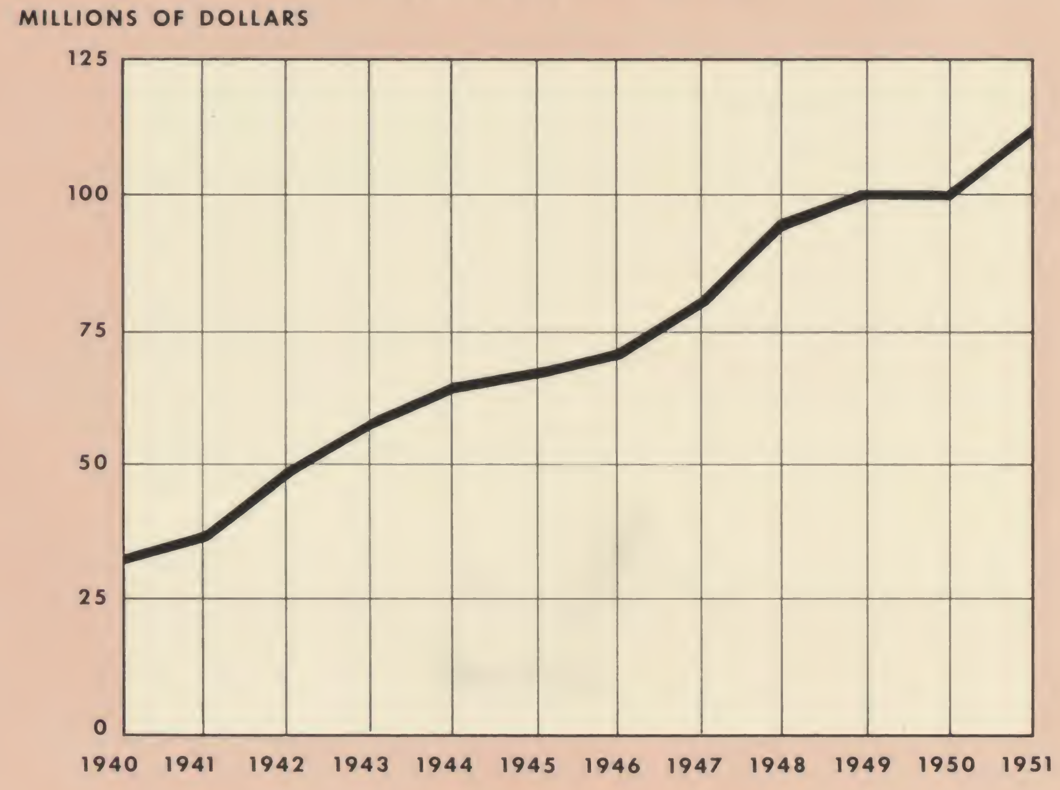
DIE ROOM, where the cutting and scoring dies are made for Nabisco cartons. The die you see is for a cracker "shell," made of boxboard which is covered later with a printed wrapper. The word NABISCO is counter-sunk, by a die, on the top of the shell. Three-quarter-inch laminated wood is used to hold the cutting and scoring steel rule, and cork or rubber cushions are inserted near the cutting edges so that the board will not stick to the steel during the cutting and scoring. There is great need for precision in this work.

Many of the plans used throughout industry for the latter purpose have been considered and studies are now being made to formulate a more extensive plan of our own.

Employee Safety

Safety continues to be an important part of Nabisco's employee program. A special safety award was instituted for presentation to a manufacturing plant and its employees in recognition of a distinguished safety record, and this has aroused much interest. In 1951 our Philadelphia and New York Bakeries qualified for the award by completing one million man-hours each, without a lost-time accident. Much progress has been made in improved safety within our plants, and the year's results show a decrease of 5% in the number of industrial accidents throughout all the plants of the Company. Our most difficult problem, however, is the control of accidents involving our motor vehicles on the highways.

Cost of Employees' Services



The above information is shown in more detail on pages 26 and 27

Employment and Wages

Nabisco's total pay roll in 1951 was $101.6 million compared with $94.8 million in 1950. We had in our employ at the close of the year 29,480 men and women.

Pay roll costs continued to rise in 1951 as they have over the last decade. The cost of labor for one hour of work performed by Nabisco employees is almost three times what it was in 1939. While the cost of labor per hour has about tripled, the price of our finished products has increased only 74% since 1939.

The Future

Next to full-scale war, inflation is the major threat to the well-being of our country. Extremely high tax rates and spiraling wage rates without compensating increases in productivity have resulted in higher prices for all goods and services. The result is that the dollar today has a purchasing power of only 53 cents as compared with the dollar of 1939.

The reckless spending of money by Government for politically expedient programs, resulting in oppressive taxation, can destroy our way of life from within while we are trying to protect that way of life from foreign enemies. Waste should be eliminated by all units of our Government to ease the tax burden.

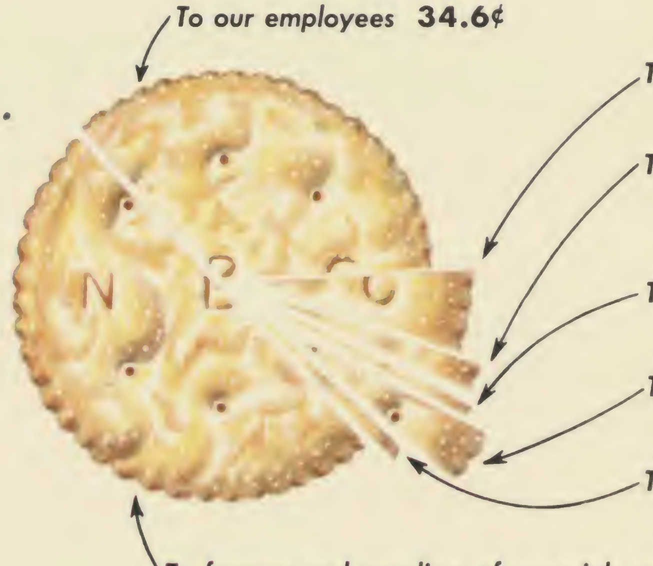
We feel certain that our Company will continue to grow and progress so long as we are permitted to function in an economy sparked by the powerful forces of incentive and competition; in other words, so long as the American free enterprise system is preserved and fostered.

There seems to be general agreement that business activity will be at a high level in 1952 and that consumer incomes will reach new peaks. Thus we should enjoy a high level of sales. Profits, however, will undoubtedly continue to be adversely affected by factors beyond our control, such as the continuation of price ceilings on our finished products and high rates of Federal taxes on income.

The Company's policy of building for the future, which has been emphasized in this report, is evidence of our confidence in that future. NABISCO is dedicated to serving the best interests of its shareholders, employees and customers by the maximum use of its facilities to supply fine food products to the growing population of the nation.

PRESIDENT

Each Nabisco Sales Dollar Produced Income:



SUMMARY OF OPERATIONS—1951

We received from sale of our products	$329,924,858
We expended for:	
Raw materials, supplies and services bought from others	172,162,222
Employees' services (wages, pensions, social security taxes, etc.)	114,131,678
Direct taxes, except social security taxes	20,479,748
Estimated wear and tear on plant and equipment, less profit on disposal of fixed assets	6,665,162
Officers' salaries for management of the business	682,249
Leaving profits†, representing the cost of using the tools of production (plant and equipment), which were:	
Distributed as dividends to the shareholders	$ 14,315,211
Retained in the business for expansion and modernization	1,488,588

†National Biscuit Company also received $398,412 for activities not related to the manufacture or sale of its products.

CONSOLIDATED

ASSETS

	December 31, 1951	December 31, 1950
Cash	$ 17,673,613	$ 12,152,364
U. S. Government securities . . . . (Approximately equal to amounts at market quotations) Note: $808,500 principal amount deposited to comply with workmen's compensation requirements.	19,108,500	34,145,000
Accounts receivable	7,954,252	8,181,022
Raw materials and supplies (*a*)	32,269,013	29,572,414
Finished product (*a*)	11,989,028	10,553,890
Total current assets	88,994,406	94,604,690
Investment in foreign subsidiary, not consolidated .	900,000	900,000
Miscellaneous investments	95,745	148,612
Plants, real estate, machinery and equipment (*b*) .	96,368,787	86,421,201
Prepaid expenses and deferred charges	1,671,311	1,372,384
Total	$188,030,249	$183,446,887

(Notes to the financial statements appear on page 23)

BALANCE SHEET

LIABILITIES

	December 31, 1951	December 31, 1950
Notes payable to banks (foreign)	$ 720,000	$ 1,385,000
Accounts payable and accrued expenses	16,959,429	12,103,813
Common dividend, payable January 15, 1952	3,144,724	3,144,724
Reserve for federal and foreign taxes on income	17,187,392	18,681,647
Total current liabilities	38,011,545	35,315,184

CAPITAL

Capital stock, preferred (Par value $100—7% cumulative, noncallable) Shares authorized 250,000, issued 248,045	24,804,500	24,804,500
Capital stock, common (Par value $10) Shares authorized 12,000,000, issued 6,289,448	62,894,480	62,894,480
Retained earnings:		
Appropriated:		
Insurance and contingent reserve	3,726,188	3,726,188
Reserve for high-cost plant additions	12,000,000	12,000,000
Inventory reserve	5,000,000	5,000,000
Unappropriated	41,593,536	39,706,535
Total	$188,030,249	$183,446,887

CONSOLIDATED INCOME & UNAPPROPRIATED RETAINED EARNINGS

	1951	1950
Net sales	$329,924,858	$296,408,934
Cost of sales	215,850,366	187,669,827
Selling, general and administrative expenses	63,899,323	57,210,308
Contributions to pension trusts for past service	4,455,766	
Depreciation	6,761,702	6,425,692
Taxes (other than federal and foreign taxes on income)	6,229,467	5,980,439
Interest and miscellaneous income (net)	*398,412*	*401,915*
Profit or loss on disposal of fixed assets	*96,540*	67,893
Provision for federal and foreign taxes on income (*c*)	17,020,974	18,346,259
Total (*d*)	313,722,646	275,298,503
Net income	16,202,212	21,110,431
Unappropriated retained earnings January 1	39,706,535	32,911,315
	55,908,747	54,021,746
Preferred dividends $7.00 per share	1,736,315	1,736,315
Common dividends $2.00 per share	12,578,896	12,578,896
	14,315,211	14,315,211
Unappropriated retained earnings December 31	$ 41,593,536	$ 39,706,535

(Notes to the financial statements appear on page 23)

NOTES TO FINANCIAL STATEMENTS

(*a*) Inventories of raw materials, supplies and finished product are carried in the balance sheet at cost or market, whichever is lower. The cost of certain commodities is computed on the last-in, first-out (LIFO) method.

(*b*) Plants, real estate, machinery and equipment comprise:

Cost of properties owned:	1951	1950
Land	$ 8,062,748	$ 8,557,141
Buildings	69,743,989	65,430,525
Machinery and equipment	77,891,326	69,604,314
Total	155,698,063	143,591,980
Less, allowances for depreciation	59,329,276	57,170,779
	$ 96,368,787	$ 86,421,201

(*c*) The 1950 provision for taxes on income included $1,045,000 for federal excess profits tax. For 1951, the provision is net of an estimated refund of $265,000 arising from the availability for carry-back purposes of an unused 1951 excess profits credit.

(*d*) During 1951, and as authorized by shareholders, the companies adopted the policy of funding obligations under their pension plans. Payments into the fund for 1951 to cover current service cost are included in cost of sales and selling, general and administrative expenses; payments applicable to past service credits are stated separately. As shown in detail on page 12 hereof, total pension costs for 1951 exceeded those for 1950 by approximately $6,260,000.

(*e*) The financial statements for 1951 include the following U. S. dollar amounts (translated at appropriate rates of exchange) in respect of the four consolidated foreign subsidiaries: net current assets and deferred charges, $2,350,952; net fixed assets, $9,789,695; and net income, $1,306,736.

REPORT OF AUDITORS

TO THE SHAREHOLDERS OF

NATIONAL BISCUIT COMPANY, NEW YORK, N.Y.

We have examined the consolidated balance sheet of National Biscuit Company and its wholly owned subsidiaries as of December 31, 1951, and the related consolidated statement of income and unappropriated retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and unappropriated retained earnings present fairly the consolidated financial position of National Biscuit Company and its wholly owned subsidiaries at December 31, 1951, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, N.Y.
February 5, 1952

CONDENSED TWELVE-YEAR STATEMENT

(All amounts are as of December 31 of each year and are expressed in thousands

WORKING CAPITAL:	1951	1950	1949	1948
Current assets:				
Cash and government securities	$ 36,782	$ 46,297	$ 46,183	$ 44,548
Accounts receivable	7,954	8,181	6,409	7,217
Raw materials, supplies and finished product	44,258	40,126	37,032	39,668
Total current assets	88,994	94,604	89,624	91,433
Current liabilities:				
Notes payable to banks (foreign)	720	1,385	1,620	
Accounts payable and accrued expenses	16,959	12,104	10,697	8,645
Common dividend payable	3,145	3,145	5,032	5,032
Reserve for federal and foreign taxes on income	17,188	18,681	14,611	14,188
Total current liabilities	38,012	35,315	31,960	27,865
Working capital	50,982	59,289	57,664	63,568
PLANTS, REAL ESTATE, MACHINERY AND EQUIPMENT (net)	96,369	86,421	81,795	67,350
MISCELLANEOUS INVESTMENTS, OTHER ASSETS AND PREPAID EXPENSES AND DEFERRED CHARGES	2,667	2,421	1,877	3,051
Net assets	150,018	148,131	141,336	133,969
PREFERRED STOCK	24,805	24,805	24,805	24,805
Book value of common stock	$125,213	$123,326	$116,531	$109,164
Book value per share of common stock	$19.91	$19.61	$18.53	$17.36

Book value of common stock for years prior to 1944 has been stated at amounts exclusive of intangible assets then carried on the books. Similarly, "Plants, real estate, machinery and equipment" has been restated for years prior to 1944 to reflect tangible assets only. The write-off of intangible assets was completed in 1944.

"Raw materials, supplies and finished product" has been restated for years prior to 1946 by adding back the inventory reserve of $1,019,381, which in the reports for those years was shown as a deduction therefrom.

OF CONSOLIDATED ASSETS & LIABILITIES

of dollars except book value per share of common stock and footnotes)

1947	1946	1945	1944	1943	1942	1941	1940
$ 46,884	$ 43,027	$ 47,382	$ 41,056	$ 31,191	$ 30,310	$ 31,001	$ 33,618
6,830	6,712	4,723	6,131	6,503	7,367	3,520	2,920
43,082	34,549	27,052	25,956	26,668	20,584	15,326	10,234
96,796	84,288	79,157	73,143	64,362	58,261	49,847	46,772
6,842	6,292	5,525	5,074	4,797	3,740	2,622	2,171
5,032	1,887	1,887	1,887	1,887	1,887	2,516	2,516
16,926	13,521	19,807	23,215	16,728	15,963	9,593	6,428
28,800	21,700	27,219	30,176	23,412	21,590	14,731	11,115
67,996	62,588	51,938	42,967	40,950	36,671	35,116	35,657
54,938	52,246	52,563	57,933	60,132	63,632	65,360	65,693
2,579	2,091	1,757	4,136	2,560	1,869	993	1,103
125,513	116,925	106,258	105,036	103,642	102,172	101,469	102,453
24,805	24,805	24,805	24,805	24,805	24,805	24,805	24,805
$100,708	$ 92,120	$ 81,453	$ 80,231	$ 78,837	$ 77,367	$ 76,664	$ 77,648
$16.01	$14.65	$12.95	$12.76	$12.53	$12.30	$12.19	$12.35

The annual "Net income" less "Dividends declared" amounts shown in the accompanying "Condensed Twelve-Year Statement of Consolidated Income and Other Statistics" do not exactly account for the changes in "Book value of common stock" indicated above because of net reserve additions aggregating approximately $1,015,000 over the twelve-year period.

CONDENSED TWELVE-YEAR STATEMENT OF

(*All amounts are expressed in thousands of dollars*

	1951	1950	1949	1948
REVENUE:				
Net sales	$329,925	$296,409	$294,420	$296,250
Interest and miscellaneous income (net)	398	402	371	1,675†
Total	330,323	296,811	294,791	297,925
EXPENSES:				
Cost of sales	215,850	187,670	191,745	200,974
Selling, general and administrative expenses	63,899	57,211	56,050	51,489
Contributions to pension trusts for past service	4,456			
Depreciation	6,762	6,426	5,549	4,227
Taxes (other than federal and foreign taxes on income)	6,229	5,980	5,017	4,628
Miscellaneous	*96*	68	89	82
Provision for federal and foreign taxes on income	17,021	18,346	14,664	13,811
Total	314,121	275,701	273,114	275,211
Net income	$ 16,202	$ 21,110	$ 21,677	$ 22,714†
DIVIDENDS DECLARED:				
Preferred	$ 1,736	$ 1,736	$ 1,736	$ 1,736
Common	12,579	12,579	12,579	12,579
EXPENSE STATISTICS:				
Cost of employees' services	$114,132	$100,871	$101,391	$ 93,981
Taxes (except social security taxes)	20,480	21,757	17,831	16,795
PER SHARE STATISTICS:				
(per share of common stock)				
Net income	$ 2.30	$ 3.08	$ 3.17	$ 3.33†
Dividends	2.00	2.00	2.00	2.00
Taxes (except social security taxes)	3.26	3.46	2.84	2.67
OTHER STATISTICS:				
Number of shareholders	66,682	63,871	64,579	65,753
Number of employees	29,480	30,073	31,109	31,402

†Includes extraordinary income of $1,400,000 equal to 22 cents per share of common

CONSOLIDATED INCOME & OTHER STATISTICS

except per share figures, other statistics and footnote)

1947	1946	1945	1944	1943	1942	1941	1940
$263,894	$220,195	$204,995	$205,273	$183,027	$154,759	$110,785	$96,150
327	2,818†	413	354	335	230	173	143
264,221	223,013	205,408	205,627	183,362	154,989	110,958	96,293
172,011	145,019	132,786	133,228	117,984	93,031	59,927	44,505
45,524	38,858	35,487	34,714	33,007	30,314	25,090	29,093
3,809	3,583	3,456	3,321	3,279	3,310	3,250	3,167
4,823	4,053	4,356	4,798	4,086	3,859	3,479	3,256
101	159	2,371	197	199	193	168	347
15,051	11,686	16,444	18,890	14,210	13,857	8,312	4,776
241,319	203,358	194,900	195,148	172,765	144,564	100,226	85,144
$ 22,902	$ 19,655†	$ 10,508	$ 10,479	$ 10,597	$ 10,425	$ 10,732	$11,149
$ 1,736	$ 1,736	$ 1,736	$ 1,736	$ 1,736	$ 1,736	$ 1,736	$ 1,736
12,579	7,547	7,547	7,547	7,547	8,176	10,063	10,059
$ 79,596	$ 70,478	$ 66,494	$ 64,133	$ 58,125	$ 47,548	$ 36,079	$31,792
18,127	14,229	19,137	21,994	16,643	16,276	10,592	6,956
$ 3.36	$ 2.85†	$ 1.39	$ 1.39	$ 1.41	$ 1.38	$ 1.43	$ 1.50
2.00	1.20	1.20	1.20	1.20	1.30	1.60	1.60
2.88	2.26	3.04	3.50	2.65	2.59	1.68	1.11
65,441	67,010	66,110	64,927	62,791	61,172	60,376	58,306
29,128	27,398	29,005	29,932	28,619	25,103	20,814	19,256

stock in 1948 and $2,492,685 equal to 40 cents per share of common stock in 1946.

OTHER PRODUCTS OF NABISCO

NATIONAL BISCUIT COMPANY

In addition to the famous, nationally-known crackers and cookies "baked by NABISCO" are a number of specialties, each enjoying gratifying popularity. An outstanding favorite is NABISCO SHREDDED WHEAT, the original shredded wheat—stand-by breakfast of generations of Americans. MILK-BONE dog foods are enjoyed by dogs and known to dog owners everywhere. Delicious NABISCO REAL CAKE CONES and CUPLETS, in a variety of shapes, are sold from coast to coast. Crisp, fresh NABISCO POTATO CHIPS have their loyal following where they have been introduced in the eastern area. NABISCO 100% BRAN is less irritating because it's "finer-milled." In the eighteen markets where NBC BREAD is sold, housewives look for the finer loaf identified by the blue NBC bull's-eye; and whole wheat enthusiasts choose WHEATSWORTH CEREAL and WHEATSWORTH FLOUR year after year for their rich, natural whole wheat goodness. The high regard in which these specialties, in company with all NABISCO varieties, are held by the consumer—comes from the recognized superiority of products "baked by NABISCO." For folks have come to know that all good things identified by the red NABISCO seal are outstanding in quality, flavor and freshness—dependably satisfying wherever they are found.


NABISCO
Triangle Thins
NATIONAL BISCUIT COMPANY
NEW!
In shape, in tempting "nutty" flavor, in thin, crunchy texture. Instant favorites wherever they appear—TRIANGLE THINS are fast becoming one of the most popular NABISCO products!

NATIONAL BISCUIT COMPANY